

WILLIAM C. ABNEY ACADEMY
Report on Financial Statements
(With required supplementary and additional information and
single audit supplement required by OMB Circular A-133)
For the Fiscal Year Ended
June 30, 2008

**William C. Abney
Financial Report
For the Fiscal Year Ended
June 30, 2008**

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Independent Auditors' Report

To the Board of Directors
William C. Abney Academy
1435 Fulton St. E.
Grand Rapids, MI 49503

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of William C. Abney Academy as of and for the year ended June 30, 2008, which collectively comprise the Academy's basic financial statements as listed in the table of contents. These financial statements are the responsibility of William C. Abney Academy's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

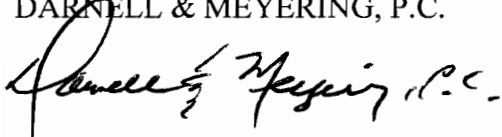
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of William C. Abney Academy, as of June 30, 2008, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2008, on our consideration of William C. Abney Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages v through xii and 23-24, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise William C. Abney Academy's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of William C. Abney Academy. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

DARNELL & MEYERING, P.C.

A handwritten signature in black ink, appearing to read "Darnell & Meyering, P.C.", is written over the printed name.

September 25, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of William C. Abney Academy's annual financial report presents our discussion and analysis of the public school Academy's financial performance during the fiscal year that ended on June 30, 2008. Please read it in conjunction with the Academy's financial statements, which immediately follow this section.

Financial Highlights

- Revenues of the General Fund were at \$4,316,076 while expenses were at \$3,664,404.
- The Academy increased its outstanding current liabilities.
- Capital outlay was \$160,893.
- Federal source revenue increased by \$79,810, state source revenue increased by \$549,132 and intermediate source revenue increased by \$55,067.

Overview of the Financial Statements

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Academy.

The first two statements are Academy-wide financial statements that provide both short-term and long-term information about the Academy's overall financial status.

The remaining statements are fund financial statements that focus on individual parts of the Academy, reporting the Academy's operations in more detail than the Academy-wide statements.

The governmental funds statements tell how basic services like regular education were financed in the short-term as well as what remains for future spending.

Fiduciary funds statements provide information about the financial relationships in which the Academy acts solely as an agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the Academy's budget for the year. Figure A-1 shows how the various parts of the annual report are arranged and related to one another.

Figure A-1 Organization of William C. Abney Academy Annual Financial Report

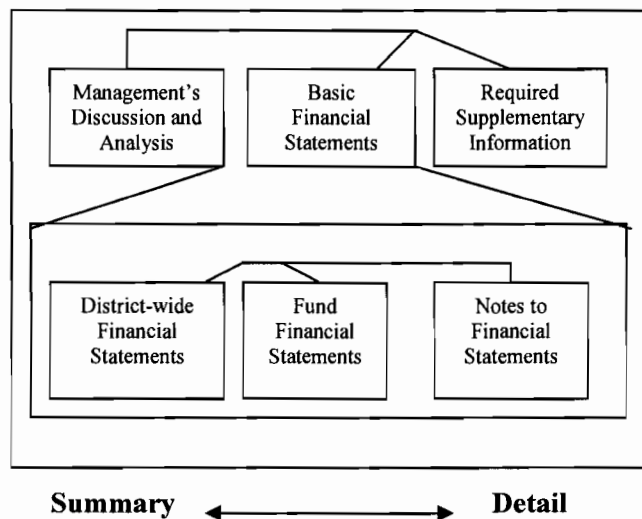


Figure A-2 summarized the major features of the Academy's financial statements, including the portion of the Academy's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

Figure A – 2 Major Features of the Academy-Wide and Fund Financial Statements

	Academy-wide statements	Fund Financial Statements
		Governmental funds
Scope	Entire Academy (except fiduciary funds)	All activities of the Academy that are not fiduciary
Required financial statements	* Statement of net assets * Statement of activities	* Balance sheet * Statement of revenues, expenditures and changes in fund balances
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable

Academy-wide statements

The Academy-wide statements report information about the Academy as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the Academy's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two Academy-wide statements report the Academy's net assets and how they have changed. Net assets – the difference between the Academy's assets and liabilities, are one way to measure the Academy's financial health or position.

- Over time, increases or decreases in the Academy's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the Academy, you need to consider additional non-financial factors such as changes in the Academy's enrollment, the condition of school buildings and other facilities, and the Academy's ability to be competitive with other public school academies and area school districts.

Fund financial statements

The fund financial statements provide more detailed information about the Academy's funds, focusing on its more significant or "major" funds – not the Academy as a whole. Funds are accounting devices the Academy uses to keep track of specific sources of funding and spending on particular programs:

Governmental activities – The Academy's basic services are included in the general fund, such as regular and special education and administration. State foundation aid finances most of these activities.

The Academy has two kinds of funds:

Governmental fund – Most of the Academy's basic services are included in governmental funds which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Academy's programs. Because this information does not encompass the additional long-term focus of the Academy-wide statements, we provide additional information with the governmental funds statement that explains the relationship (or differences) between them.

Financial analysis of the Academy as a whole

Net assets - the Academy's combined net assets were \$1,765,693 on June 30, 2008. See Figure A – 3.

The total revenues increased by about 17.6 percent to \$4,603,799. State aid foundation allowance included in revenue from state sources accounts for almost 77 percent of the Academy's general fund revenue.

The total cost of instruction increased by more than 22 percent to \$1,683,930. Total support service expenses increased by almost 4 percent to \$1,842,748.

The Academy's stable financial position is primarily due to increased student enrollment coupled with managing expenses appropriately in relation to revenue received.

Academy governmental activities

The stable health of the Academy's finances results from the excellent management of expenses. There was an increase in the state aid foundation allowance during the 2007-2008 school year. The school board oversaw the Academy's financial activities while the administration carefully managed expenses.

Figure A-3
William C. Abney Academy

	2008	2007
Current assets	\$ 1,478,790	\$ 1,175,039
Noncurrent assets	4,048,360	3,926,881
Total assets	<u>5,527,150</u>	<u>5,101,920</u>
Current liabilities	736,457	647,151
Noncurrent liabilities	3,025,000	3,195,000
Total liabilities	<u>3,761,457</u>	<u>3,842,151</u>
Net assets		
Invested in capital assets, net of related debt	(50,501)	(279,366)
Restricted for debt service	570,870	530,491
Unrestricted	<u>1,245,324</u>	<u>1,008,644</u>
Total net assets	<u>\$ 1,765,693</u>	<u>\$ 1,259,769</u>

Figure A-4
Changes in William C. Abney Academy's Net Assets

	2008	2007
Revenues:		
Program revenues:		
Charges for Service	\$ 17,687	\$ 26,787
Federal Grants	688,243	608,433
State Categoricals	269,753	240,929
Operating Grants	282,713	218,729
General revenues:		
State aid - unrestricted	3,313,255	2,793,045
Other	32,148	25,798
Total revenues	<u>4,603,799</u>	<u>3,913,721</u>
Expenses:		
Instruction	1,683,930	1,374,697
Support services	1,842,748	1,776,520
Community services	-	2,001
Food services	274,239	219,481
Athletics	1,718	3,899
Interest expense	211,313	219,476
Unallocated depreciation	83,927	87,119
Total expenses	<u>4,097,875</u>	<u>3,683,193</u>
Increase in net assets	<u>\$ 505,924</u>	<u>\$ 230,528</u>

Financial analysis of the Academy's funds

The financial performance of the Academy as a whole is reflected in its governmental fund as well. As the Academy completed the year, its governmental funds (general) reported a fund balance of \$1,017,388, an increase of \$220,071 over last year's ending fund balance of \$797,317.

General fund budgetary highlights

Over the course of the year, the Academy revised the annual operating budget twice.

Changes were made in the second and fourth quarters to account for student enrollment counts, federal funds, and changes in assumptions (e.g. staffing changes, utility costs, etc.) since the original budget was adopted.

While the Academy's final budget for the general fund anticipated revenues would exceed expenditures by \$504,260 the actual results for the year showed revenues over expenditures of \$651,672.

Actual revenues were \$20,851 less than budgeted due mainly to the receipt of federal funds being lower than anticipated.

Actual expenditures were \$168,263 under budget due mainly to support services expenditures coming in much lower than anticipated. Added needs (special education and compensatory education) also came in lower than anticipated.

Capital asset and debt administration

Capital assets

By the end of the year ended June 30, 2008, the Academy had invested \$3,453,351 in capital assets consisting primarily of building and improvements, computers, software, furniture and fixtures net of accumulated depreciation. More detailed information about capital assets can be found in Note 5 to the financial statements. Total depreciation and amortization expense for the year was \$103,932.

The Academy's capital assets are as follows:

<p align="center">Figure A-5 William C. Abney Academy's Capital Assets</p>				
	Cost	Accumulated Amortization & Depreciation	2008 Net Book Value	2007 Net Book Value
Land	\$ 120,000	\$ -	\$ 120,000	\$ 120,000
Buildings and additions	3,146,063	230,936	2,915,127	2,884,469
Educational media and books	14,994	8,336	6,658	9,163
Capitalized FTCP issuance cost	383,743	74,891	308,852	320,756
Furniture and equipment	260,361	160,262	100,099	59,315
Site improvements	2,800	185	2,615	2,687
Total	\$ 3,927,961	\$ 474,610	\$ 3,453,351	\$ 3,396,390

Long-term debt

At year end the Academy had \$3,195,000 in long term obligations – a decrease of \$160,000 from last year. (More detailed information about the Academy's long-term liabilities is presented in Note 10 to the Financial Statements).

Figure A-6
William C. Abney Academy Outstanding Long-term Debt

	<u>2008</u>	<u>2007</u>
Full Term Certificates of Participation	\$ 3,195,000	\$ 3,355,000
Total	<u>\$ 3,195,000</u>	<u>\$ 3,355,000</u>

Factors bearing on the Academy's future

At the time these financial statements were prepared and audited, the Academy was aware of existing circumstances that could significantly affect its financial health in the future.

The 2008-2009 foundation allowance (state aid funding) from the State of Michigan will increase by about \$106 over 2007-08. That's less than a 1.5% increase which won't even allow the Academy to keep pace with inflation. The foundation allowance represents about 77 percent of the total Academy revenue.

Contacting the Academy's financial management

This financial report is designed to provide our students, parents and creditors with a general overview of the Academy's finances and to demonstrate the Academy's accountability for the money it receives. If you have questions about this report or need additional information, contact the Academy's office at 4660 S. Hagadorn Rd., East Lansing, Michigan 48823.

William C. Abney Academy
Statement of Net Assets
June 30, 2008

Assets	<u>Governmental Activities</u>
Current assets:	
Cash and equivalents	\$ 730,023
Receivables:	
Other governmental units	726,465
Prepaid expenses	22,302
Total current assets	<u>1,478,790</u>
Noncurrent assets:	
Investments - debt service	595,009
Issuance costs, net of amortization	308,852
Capital assets	3,544,218
Less accumulated depreciation	(399,719)
Total noncurrent assets	<u>4,048,360</u>
Total assets	<u><u>\$ 5,527,150</u></u>
Liabilities And Net Assets	
Current liabilities:	
Accounts payable	\$ 130,712
Accrued expenses	297,470
Accrued interest	105,057
Deferred revenue	33,218
Current portion of long term obligations	170,000
Total current liabilities	<u>736,457</u>
Noncurrent liabilities:	
Noncurrent portion of long term obligations	3,025,000
Total noncurrent liabilities	<u>3,025,000</u>
Total liabilities	<u>3,761,457</u>
Net assets:	
Invested in capital assets - net of related debt	(50,501)
Restricted for debt service	570,870
Unrestricted	1,245,324
Total net assets	<u>1,765,693</u>
Total liabilities and net assets	<u><u>\$ 5,527,150</u></u>

See notes to financial statements.

William C. Abney Academy
Statement of Activities
Year Ended June 30, 2008

Functions/programs	Expenses	Program Revenues		Governmental Activities
		Charges for Services	Operating Grants & Contributions	Net (expense) Revenue and Changes in Net Assets
Governmental activities:				
Instruction	\$ 1,683,930	\$ -	\$ 689,321	\$ (994,609)
Support services	1,842,748	13,228	282,714	(1,546,806)
Food services	274,239	4,459	268,675	(1,105)
Athletic services	1,718	-	-	(1,718)
Interest expense	211,313	-	-	(211,313)
Unallocated depreciation	83,927	-	-	(83,927)
Total governmental activities	<u>\$ 4,097,875</u>	<u>\$ 17,687</u>	<u>\$ 1,240,710</u>	(2,839,478)
General revenues:				
State of Michigan school aid unrestricted				3,313,255
Investment revenue				18,971
Miscellaneous				13,177
Total general revenues				<u>3,345,402</u>
Change in net assets				505,924
Net assets, beginning of year				<u>1,259,769</u>
Net assets, end of year				<u>\$ 1,765,693</u>

See notes to financial statements.

William C. Abney Academy
Balance Sheet
Governmental Funds
June 30, 2008

	General Fund	Debt Service Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Assets:				
Cash and equivalents	\$ 730,021	\$ 595,009	\$ 2	\$ 1,325,032
Receivables:				
Other governmental units	726,465	-	-	726,465
Prepaid expenditures	22,302	-	-	22,302
Total Assets	<u>\$ 1,478,788</u>	<u>\$ 595,009</u>	<u>\$ 2</u>	<u>\$ 2,073,799</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 130,712	\$ -	\$ -	\$ 130,712
Deferred revenue	33,218	-	-	33,218
Accrued expenses	297,470	-	-	297,470
Total liabilities	<u>461,400</u>	<u>-</u>	<u>-</u>	<u>461,400</u>
Fund balances:				
Reserved for debt service	80,918	595,009	-	675,927
Reserved for capital projects	-	-	2	2
Reserved for prepaid expenditures	22,302	-	-	22,302
Unreserved, undesignated	914,168	-	-	914,168
Total fund balances	<u>1,017,388</u>	<u>595,009</u>	<u>2</u>	<u>1,612,399</u>

Total liabilities and fund balances	<u>\$ 1,478,788</u>	<u>\$ 595,009</u>	<u>2</u>	<u>\$ 2,073,799</u>
Total governmental fund balances				\$ 1,612,399
Amounts reported for governmental activities in the statement of net assets are different because:				
Capital assets used in governmental activities are not financial resources and are not reported in the funds				
The cost of capital assets is:	\$ 3,853,070			
Accumulated depreciation is:	<u>(399,719)</u>			3,453,351
Long term liabilities are not due and payable in the current period and are not reported in the funds				
Long term obligations				(3,195,000)
Accrued interest payable is not included as a liability in governmental funds				<u>(105,057)</u>
Net assets of governmental activities				<u>\$ 1,765,693</u>

William C. Abney Academy
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2008

	General Fund	Debt Service Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Local sources	\$ 46,726	\$ 12,190	\$ 4,458	\$ 63,374
Intermediate sources	266,774	-	-	266,774
State sources	3,564,984	-	18,024	3,583,008
Federal sources	437,592	-	250,651	688,243
Total revenues	4,316,076	12,190	273,133	4,601,399
Expenditures:				
Current:				
Instruction:				
Basic programs	1,237,268	-	-	1,237,268
Added needs	490,605	-	-	490,605
Total instruction	1,727,873	-	-	1,727,873
Support services:				
Pupil	187,598	-	-	187,598
Instructional staff	231,369	-	-	231,369
General administration	297,712	-	-	297,712
School administration	238,967	-	-	238,967
Business	121,226	-	-	121,226
Operations/maintenance	383,438	-	-	383,438
Transportation	360,627	-	-	360,627
Central	115,594	-	-	115,594
Miscellaneous expenditures	-	3,163	-	3,163
Total support services	1,936,531	3,163	-	1,939,694

	General Fund	Debt Service Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Expenditures (concluded):				
Current (concluded):				
Food service	-	-	274,237	274,237
Athletics	-	-	1,718	1,718
Community service	-	-	-	-
Debt service:				
Principal retirements	-	160,000	-	160,000
Interest & fiscal charges	-	215,688	-	215,688
Total expenditures	3,664,404	378,851	275,955	4,319,210
Excess (deficiency) of revenues over expenditures	651,672	(366,661)	(2,822)	282,189
Other financing sources (uses):				
Operating transfers out	(434,001)	-	-	(434,001)
Operating transfers in	-	431,179	2,822	434,001
Proceeds from disposition of assets	2,400	-	-	2,400
Total other financing sources (uses):	(431,601)	431,179	2,822	2,400
Net change in fund balances	220,071	64,518	-	284,589
Fund balances:				
Beginning of year	797,317	530,491	2	1,327,810
End of year	<u>\$ 1,017,388</u>	<u>\$ 595,009</u>	<u>\$ 2</u>	<u>\$ 1,612,399</u>

See notes to financial statements.

William C. Abney Academy
Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
Year Ended June 30, 2008

Net change in fund balances total governmental funds **\$ 284,589**

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures.

In the statement of activities, these costs are allocated over their estimated useful lives as depreciation and amortization.

Capital outlay	160,893
Depreciation expense	(92,028)
Amortization expense	(11,904)

Repayments of principal on long-term debt is an expenditure in the governmental funds, but not in the statement of activities (where it is a reduction of liabilities).

160,000

Accrued interest is recorded in the statement of activities when incurred; it is not recorded in the governmental funds until it is paid.

Accrued interest payable beginning of the year

109,431

Accrued interest payable end of the year

(105,057)

Change in net assets of governmental activities

\$ 505,924

William C. Abney Academy
Notes to the Financial Statements
June 30, 2008

Note 1. Summary of Significant Accounting Policies

The accounting policies of William C. Abney Academy (the Academy) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Academy.

A. Reporting Entity

William C. Abney Academy is a public school academy. A public school academy is a public school under Section 2 of Article VIII of the State Constitution of 1963 and is subject to the leadership and general supervision of the State Board of Education. Grand Valley State University is the authorizing body of the Academy and has contracted with the Academy confirming the status of the public school academy. William C. Abney Academy's school board is approved by the authorizing body and is authorized to manage the property and affairs of the Academy. The Academy does not include any component units within its financial statements.

B. Charter-Wide and Fund Financial Statements

Measurement focus, basis of accounting, and financial statement presentation

CHARTER-WIDE STATEMENTS

The charter-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the Academy. For the most part, the effect of interfund activity has been removed from these statements. The government-wide financial statements categorize primary activities as either governmental or business type. All of the Academy's activities are classified as governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges paid by recipients who purchase, use or directly benefit from goods or services by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid, certain revenue from the intermediate school Academy and other unrestricted items are not included as program revenues but instead as *general revenues*.

William C. Abney Academy
Notes to the Financial Statements
June 30, 2008
(Continued)

In the charter-wide statement of net assets, the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Academy's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The Academy first utilizes restricted resources to finance qualifying activities.

The charter-wide statement of activities reports both the gross and net cost of each of the Academy's functions. The functions are also supported by general government revenues (State Foundation Aid, certain intergovernmental revenues, investment income and other revenue). The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (State Foundation Aid, intermediate district sources, interest income and other revenues).

The Academy does not allocate indirect costs.

This government-wide focus is more on the sustainability of the Academy as an entity and the change in the Academy's net assets resulting from the current year's activities.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the charter-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. The charter-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue of soon as all eligibility requirements imposed by the provider have been met.

William C. Abney Academy
Notes to the Financial Statements
June 30, 2008
(Continued)

FUND BASED STATEMENTS

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Academy considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, if any, are recorded only when payment is due.

State and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Academy.

The Academy reports the following major funds:

The *General Fund* is the Academy's primary operating fund. It accounts for all financial resources of the Academy, except those required to be accounted for in another fund.

The *Debt Service Fund* is used to record transfers from the General Fund, interest revenue, payments of interest, principal, and other expenditures of long-term debt.

Additionally, the Academy reports the following non-major fund types:

Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specific purposes.

The school service funds are special revenue funds that separate, for administrative purposes, the transactions of a particular activity from regular revenue and expenditure accounts. The Academy maintains full control of these funds. The *school service funds* maintained by the Academy are the *food service fund* and the *athletic fund*.

The *Capital Projects Fund* is used to record long-term debt proceeds or other revenue and disbursements of monies specifically designed for acquiring new school sites, buildings, equipment, and for major remodeling. The fund is retained until the purpose of which the fund was created has been accomplished.

William C. Abney Academy
Notes to the Financial Statements
June 30, 2008
(Continued)

C. Assets, Liabilities and Net Assets or Equity

1. Cash and Investments

The Academy's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with a maturity of three months or less when acquired.

The Academy reports its investments in accordance with GASB *Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and GASB *Statement No. 40, Deposit and Investment Risk Disclosures*. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Academy intends to hold the investment until maturity.

State statutes authorize the Academy to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The Academy is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. Banks, and mutual funds composed of investments as outlined above.

2. Receivables

The State of Michigan utilizes a foundation grant approach, which provides for a specific annual amount of revenue per student based on a statewide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to charter schools based on information supplied by the schools. For the year June 30, 2008, the foundation allowance was based on the pupil membership counts taken in September of 2007 and February of 2007.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sale and other taxes. The state revenue is recognized during the foundation period and is funded through payments from October 2007 to August 2008. Thus, the unpaid portion at June 30 is reported as state aid receivable.

William C. Abney Academy
Notes to the Financial Statements
June 30, 2008
(Continued)

The Academy also receives revenue from the State to administer certain categorical education programs. State rules required that revenue earmarked for these programs be expended for its specific purpose. Categorical funds received, which are not expended by the close of the fiscal year, are recorded as deferred revenue.

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

3. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the charter-wide and fund financial statements.

4. Fund Equity Balance

The unreserved fund equity balances for governmental funds represent the amount available for budgeting future operations. The reserved fund equity balances for governmental funds represent the amount that has been legally identified for specific purposes or indicates that a component of assets are not available for appropriation. The designated fund equity balances for governmental funds represent tentative plans for future use of financial resources.

5. Capital Assets

Capital assets, which include land, building, building additions, furniture, equipment, educational media and books (library), and Full Term Certificates of Participation issuance costs, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the Academy as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs or normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized. The Academy does not have infrastructure-type assets.

Buildings and additions, furniture and equipment, educational media and books, and Full Term Certificates of Participation issuance costs are depreciated using the straight-line method over the following useful lives:

Buildings and additions	39-50 years
Furniture and other equipment	3-7 years
Educational Media and Books	6 years
Certificates of Participation issuance costs	15 years

William C. Abney Academy
Notes to the Financial Statements
June 30, 2008
(Continued)

6. Use of Estimates

The process of preparing general purpose financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Note 2. Stewardship, Compliance and Accountability

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America, except for capital outlay, which is reported in the function or activity it services. Annual appropriated budgets are adopted for the general and special revenue funds. All unexpended appropriations lapse at fiscal year end; encumbrances are not formally recorded.

The Academy follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Management Organization submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth in the combined statement of revenues, expenditures and changes in fund balances – budget and actual – general fund and special revenue funds.
2. Public hearings are conducted to obtain local public comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, or in excess of the amount appropriated. Any expenditures in violation of the budgeting act are disclosed as unfavorable variances in the budgetary comparison schedule – general fund and special revenue funds.
4. The management company is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.

William C. Abney Academy
Notes to the Financial Statements
June 30, 2008
(Continued)

5. Formal budgetary integration is employed as a management control device during the year for the general fund and special revenue funds.
6. The budget as presented, has been amended. Supplemental appropriations were made during the year with the last one approved prior to June 30th.
7. The Academy had the following General Fund budget function overdrafts for the year ended June 30, 2008:

1. Basic programs	\$30,115
2. Operating transfers out	42,763

8. The Academy also had the following Food Service Fund budget function overdraft for the year ended June 30, 2008:

1. Food service	\$42,075
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Note 3. Deposits and Restricted Investments

The Academy is governed by the deposit and investment limitations of Michigan State law, which are indicated in the Summary of Significant Accounting Policies reported earlier. Under the terms of the Certificates of Participation debt agreement, certain investments are required to be restricted. The deposits and investments held at June 30, 2008, and reported at fair value, are as follows:

Type	Rating	Maturities	Carrying Value
Unrestricted Deposits and Investments			
Deposits:			
Cash on hand			\$ 300
Demand deposits			10,000
			<u>10,300</u>
Investments:			
Government Agency Repurchase Agreements	Aaa	Various	<u>719,723</u>
Total Unrestricted Deposits and Investments			730,023
Restricted Investments			
U.S. Treasury & Agency Obligations	Aaa	Various	<u>595,009</u>
Total Deposits, Investments, and Restricted Investments			<u><u>\$ 1,325,032</u></u>

William C. Abney Academy
Notes to the Financial Statements
June 30, 2008
(Continued)

Reconciliation to Statement of Net Assets:

Current:

Cash and Cash Equivalents	\$ 730,023
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Noncurrent:

Investments - Debt Service	595,009
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Total Deposits, Investments, and Restricted Investments	\$ 1,325,032
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Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Academy limits interest rate risk by investing only in U.S. Treasury Obligations.

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. At year end, the maturities of investments and the credit quality ratings of debt securities are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Maturities</u>	<u>Rating</u>	<u>Rating Organization</u>
Bank Investment Pool	\$ 595,009	8 Days	Aaa	Moody's

Concentration of Credit Risk

The Academy places no limit on the amount it may invest in any one issuer.

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. The Academy's deposit policy requires that financial institutions be evaluated and only those with an acceptable risk level for custodial risk are used for the Academy's deposits. As of June 30, 2008, \$1,143,663 of the Academy's bank balance of \$1,343,663 was exposed to custodial credit risk because it was uninsured and uncollateralized. The Academy believes that due to the dollar amounts of cash deposits and limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Academy evaluates each financial institution it deposits funds with and assesses the level of risk of each institution; only those institutions with an acceptable level of estimated risk are used as depositories.

William C. Abney Academy
Notes to the Financial Statements
June 30, 2008
(Continued)

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counter party, the Academy will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Academy minimizes custodial credit risk by limiting investments to bank investment pools invested in U.S. Treasury Obligations and by pre-qualifying the financial institution with which the Academy will do business. At the year end, the Academy's investments consisted solely of a bank investment pool invested in U.S. Treasury Obligations in the amount of \$595,009, all of which \$100,000 is FDIC insured and the balance is uninsured and unregistered. All investments are held through U.S. Bank Corporate Trust Services.

Note 4. Receivables

Amounts due from other governmental units were as follows:

	<u>General</u>
State Aid	\$ 651,378
Federal Grant Revenue	72,919
Miscellaneous	<u>2,168</u>
Net total receivables	<u>\$ 726,465</u>

All amounts due were deemed collectible as of June 30, 2008.

William C. Abney Academy
Notes to the Financial Statements
June 30, 2008
(Continued)

Note 5. Capital Assets

Capital asset activity for the Academy for the current fiscal year was as follows:

	Balance <u>July 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2008</u>
Capital Assets not being depreciated:				
Land	\$ 120,000	\$ -	\$ -	\$ 120,000
Subtotal	<u>120,000</u>	<u>-</u>	<u>-</u>	<u>120,000</u>
Capital Assets being depreciated:				
Building	2,990,344	-	-	2,990,344
Building additions	61,494	94,225	-	155,719
Educational media & books	14,994	-	-	14,994
Furniture and equipment	196,238	66,668	2,545	260,361
Site Improvements	<u>2,800</u>	<u>-</u>	<u>-</u>	<u>2,800</u>
Subtotal	<u>3,265,870</u>	<u>160,893</u>	<u>2,545</u>	<u>3,424,218</u>
Accumulated Depreciation:				
Building	165,707	59,931	-	225,638
Building additions	1,662	3,636	-	5,298
Educational media & books	5,831	2,505	-	8,336
Furniture and equipment	136,923	25,884	2,545	160,262
Site Improvements	<u>113</u>	<u>72</u>	<u>-</u>	<u>185</u>
Subtotal	<u>310,236</u>	<u>92,028</u>	<u>2,545</u>	<u>399,719</u>
Net capital assets being depreciated	<u>2,955,634</u>	<u>68,865</u>	<u>-</u>	<u>3,024,499</u>
Other Assets - Certificates of Participation issuance costs	383,743	-	-	383,743
Accumulated amortization	<u>(62,987)</u>	<u>(11,904)</u>	<u>-</u>	<u>(74,891)</u>
Net amortizable assets	<u>320,756</u>	<u>(11,904)</u>	<u>-</u>	<u>308,852</u>
Net governmental capital assets	<u><u>\$ 3,396,390</u></u>	<u><u>\$ 56,961</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3,453,351</u></u>

William C. Abney Academy
Notes to the Financial Statements
June 30, 2008
(Continued)

Depreciation and amortization for the fiscal year ended June 30, 2008 amounted to \$103,932. Depreciation and amortization expense was charged to programs of the primary government as follows:

Governmental Activities:

Instruction	\$ 4,662
Support Services	15,343
Unallocated	83,927
	<u>\$ 103,932</u>

Note 6. Management Company

The Academy has entered into a management agreement effective through June 30, 2006, with an option to extend the primary term for two years, and options for successive two year term extensions thereafter. The Academy is responsible for a minimum fixed fee of \$185,000 for the year ended June 30, 2006, increasing incrementally over the next three years to \$200,000 for the year ended June 30, 2008. In addition to the fixed fee, the Academy must pay a variable fee equal to the difference between 10 percent of the gross revenues of the Academy and the fixed fee, not to exceed \$400,000. The management company is responsible for all of the management, operation, administration, and education at the Academy. The Academy subcontracts all employees from the management company and reimburses the management company for operating costs.

The Academy incurred management fees totaling \$400,000 for the year ended June 30, 2008.

Note 7. Interfund transfers

The composition of interfund transfers during the year ending June 30, 2008, is as follows:

	Transfer In:			
	Debt Service <u>Fund</u>	Athletic <u>Fund</u>	Food Service <u>Fund</u>	<u>Total</u>
Transfer Out:				
General Fund	\$ 431,179	\$ 1,718	\$ 1,104	\$ 434,001
Total	<u>\$ 431,179</u>	<u>\$ 1,718</u>	<u>\$ 1,104</u>	<u>\$ 434,001</u>

William C. Abney Academy
Notes to the Financial Statements
June 30, 2008
(Continued)

Note 8. Oversight Fees

The Academy pays an administrative oversight fee of 3% of its state school aid discretionary payments to the Grand Valley State University Board of Control, as set forth by contract, to reimburse the Board of Control for the cost of execution of its oversight responsibilities. These oversight responsibilities include the monitoring of the Academy's compliance with the terms and conditions of the contract, and the review of its audited financial statements and periodic reports. During the year ended June 30, 2008, the Academy incurred expense of approximately \$99,349 for oversight fees.

Note 9. Risk Management

The Academy is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation), as well as medical benefits provided to employees. The risk of employee injuries and medical benefits for employees of the management company is covered by insurance held by the management company discussed in Note 6. The Academy has purchased commercial insurance for all other claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage since inception.

Note 10. Long-term Debt

The Academy issues Full Term Certificates of Participation (FTCP) and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. FTCP are direct obligations and pledge a portion of state revenue of the Academy.

Long-term obligation activity can be summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities					
Full Term Certificates of Participation	\$ 3,355,000	\$ -	\$ 160,000	\$ 3,195,000	\$ 170,000

William C. Abney Academy
Notes to the Financial Statements
June 30, 2008
(Continued)

Annual debt service requirements to maturity for the above FTCP note obligations are as follows:

	Governmental Activities		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 170,000	\$ 206,613	\$ 376,613
2010	180,000	196,988	376,988
2011	190,000	185,625	375,625
2012	205,000	172,294	377,294
2013	220,000	157,950	377,950
2014-2018	1,355,000	536,794	1,891,794
2019-2020	875,000	66,319	941,319
Total	<u>\$ 3,195,000</u>	<u>\$ 1,522,583</u>	<u>\$ 4,717,583</u>

Full Term Certificates of Participation (FTCP) consist of the following:

\$510,000 FTCP, due in annual intallments of \$160,000 to
\$180,000 through 2010, interest at 5.50 percent \$ 350,000

\$2,845,000 FTCP due in annual installments of \$190,000 to
\$545,000 from years 2011-2020, interest at 6.75 percent 2,845,000

Total Obligation \$ 3,195,000

Annual interest expense for the year was \$215,688.

REQUIRED SUPPLEMENTARY INFORMATION

William C. Abney Academy
Budgetary Comparison Schedule
General Fund

Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with final budget Favorable (Unfavorable)</u>
Revenues:				
Local sources	\$ 118,828	\$ 45,349	\$ 46,726	\$ 1,377
Intermediate sources	148,220	266,774	266,774	-
State sources	3,485,315	3,564,264	3,564,984	720
Federal sources	495,112	460,540	437,592	(22,948)
Total revenues	<u>4,247,475</u>	<u>4,336,927</u>	<u>4,316,076</u>	<u>(20,851)</u>
Expenditures:				
Current:				
Instruction:				
Basic programs	1,192,531	1,207,153	1,237,268	(30,115)
Added needs	516,192	562,248	490,605	71,643
Total instruction	<u>1,708,723</u>	<u>1,769,401</u>	<u>1,727,873</u>	<u>41,528</u>
Support services:				
Pupil	180,808	189,828	187,598	2,230
Instructional staff	282,360	244,492	231,369	13,123
General administration	293,316	297,773	297,712	61
School administration	255,987	285,025	238,967	46,058
Business	130,147	127,521	121,226	6,295
Operations/maintenance	349,606	417,058	383,438	33,620
Transportation	382,338	366,152	360,627	5,525
Central	161,285	133,612	115,594	18,018
Total support services	<u>2,035,847</u>	<u>2,061,461</u>	<u>1,936,531</u>	<u>124,930</u>

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with final budget Favorable (Unfavorable)
Expenditures (concluded):				
Current (concluded):				
Community service	<u>1,500</u>	<u>1,805</u>	<u>-</u>	<u>1,805</u>
Total expenditures	<u>3,746,070</u>	<u>3,832,667</u>	<u>3,664,404</u>	<u>168,263</u>
Excess (deficiency) of revenues over expenditures	<u>501,405</u>	<u>504,260</u>	<u>651,672</u>	<u>147,412</u>
Other financing sources (uses):				
Operating transfers out	<u>(385,243)</u>	<u>(391,238)</u>	<u>(434,001)</u>	<u>(42,763)</u>
Proceeds from disposition of assets	<u>-</u>	<u>-</u>	<u>2,400</u>	<u>2,400</u>
Total other financing sources (uses)	<u>(385,243)</u>	<u>(391,238)</u>	<u>(431,601)</u>	<u>(40,363)</u>
Net change in fund balance	<u>116,162</u>	<u>113,022</u>	<u>220,071</u>	<u>107,049</u>
Fund balance:				
Beginning of year	<u>797,317</u>	<u>797,317</u>	<u>797,317</u>	<u>-</u>
End of year	<u>\$ 913,479</u>	<u>\$ 910,339</u>	<u>\$ 1,017,388</u>	<u>\$ 107,049</u>

ADDITIONAL INFORMATION

William C. Abney Academy
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2008

	Athletic Fund	Food Service Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
Revenues:				
Local sources:	\$ -	\$ 4,458	\$ -	\$ 4,458
State sources	-	18,024	-	18,024
Federal sources	-	250,651	-	250,651
Total revenues	-	273,133	-	273,133
Expenditures:				
Current:				-
Food service	-	274,237	-	274,237
Athletics	1,718	-	-	1,718
Total expenditures	1,718	274,237	-	275,955
Excess (deficiency) of revenues over expenditures	(1,718)	(1,104)	-	(2,822)
Other financing sources (uses):				
Operating transfers in	1,718	1,104	-	2,822
Total other financing sources (uses):	1,718	1,104	-	2,822
Net change in fund balances	-	-	-	-
Fund balances:				
Beginning of year	-	-	2	2
End of year	\$ -	\$ -	\$ 2	\$ 2

William C. Abney Academy
Budgetary Comparison Schedule
Food Service Fund
Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance with Final budget Favorable (Unfavorable)
Revenues:				
Local sources	\$ 3,000	\$ 4,400	\$ 4,458	\$ 58
State sources		5,914	18,024	12,110
Federal sources	214,000	214,000	250,651	36,651
Total revenues	217,000	224,314	273,133	48,819
Expenditures:				
Food service	217,155	232,164	274,239	(42,075)
Total expenditures	217,155	232,164	274,239	(42,075)
Excess (deficiency) of revenues over expenditures	(155)	(7,850)	(1,106)	6,744
Other financing sources (uses):				
Operating transfers in	155	7,850	1,104	(6,746)
Total other financing sources (uses):	155	7,850	1,104	(6,746)
Net change in fund balance	-	-	-	-
Fund balance:				
Beginning of year	-	-	-	-
End of year	\$ -	\$ -	\$ -	\$ -

William C. Abney Academy
Budgetary Comparison Schedule
Athletic Fund
Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance with Final budget Favorable (Unfavorable)
Revenues:				
Local sources	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-
Federal sources	-	-	-	-
Total revenues	-	-	-	-
Expenditures:				
Athletics	3,800	2,100	1,718	2,082
Total expenditures	3,800	2,100	1,718	2,082
Excess (deficiency) of revenues over expenditures	(3,800)	(2,100)	(1,718)	2,082
Other financing sources:				
Operating transfers in	3,800	2,100	1,718	(2,082)
Total other financing sources:	3,800	2,100	1,718	(2,082)
Net change in fund balance	-	-	-	-
Fund balance:				
Beginning of year	-	-	-	-
End of year	\$ -	\$ -	\$ -	\$ -

William C. Abney
Single Audit
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For the Year Ended June 30, 2008

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Education of
William C. Abney Academy
1435 Fulton St. E.
Grand Rapids, MI 49503

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of William C. Abney Academy, as of and for the year ended June 30, 2008, which collectively comprise William C. Abney Academy's basic financial statements and have issued our report thereon dated September 25, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered William C. Abney Academy's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the William C. Abney Academy's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the William C. Abney Academy's Internal Control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects William C. Abney Academy's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of William C. Abney Academy's

financial statements that is more than inconsequential will not be prevented or detected by William C. Abney Academy's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by William C. Abney Academy's internal control.

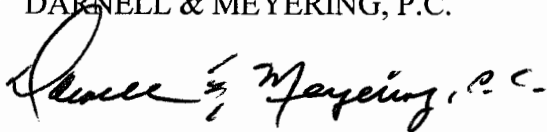
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether William C. Abney Academy's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Education, others within the entity, Michigan Department of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

DARNELL & MEYERING, P.C.

A handwritten signature in black ink, appearing to read "Darnell & Meyering, P.C.", is written over the printed name.

September 25, 2008

DARNELL & MEYERING, P.C.

Certified Public Accountants

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CLINTON MEYERING, C.P.A.
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MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
MICHIGAN ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Education of
William C. Abney Academy
1435 Fulton St. E.
Grand Rapids, MI 49503

Compliance

We have audited the compliance of William C. Abney Academy with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. William C. Abney Academy's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of William C. Abney Academy's management. Our responsibility is to express an opinion on William C. Abney Academy's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about William C. Abney Academy's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of William C. Abney Academy's compliance with those requirements.

In our opinion, William C. Abney Academy complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008. However, the results of our auditing procedures disclosed no instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133.

Internal Control Over Compliance

The management of William C. Abney Academy is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered William C. Abney Academy's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of William C. Abney Academy's internal control over compliance.

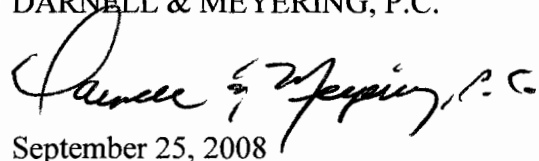
A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Education, others within the entity, Michigan Department of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

DARNELL & MEYERING, P.C.

A handwritten signature in black ink, appearing to read "Darnell & Meyering, P.C.", written over the printed name.

September 25, 2008

William C. Abney Academy
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008

Program Title/Project Number Subrecipient Name	Federal CFDA Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditures	(Deferred) Accrued Revenue 7/1/2007	Federal Funds/ Payments In-kind Received	Federal Expenditures	Accrued Revenue at 6/30/2008
Clusters:							
Child Nutrition Cluster:							
US Department of Agriculture - Pass through the State of Michigan Department of Education							
National School Lunch Program	10.555	\$ 164,147	\$ 132,899	\$ 23,004	\$ 177,364	\$ 164,147	\$ 9,787
National School Lunch Breakfast	10.553	75,289	61,051	8,660	78,979	75,289	4,970
Food Distribution:	10.550						
Entitlement commodities		10,600	6,913	-	10,600	10,600	-
Bonus Commodities		616	249	-	616	616	-
Total Child Nutrition Cluster		250,652	201,112	31,664	267,559	250,652	14,757
Special Education Cluster:							
US Department of Education:							
Passed through the Kent County - ISD:							
IDEA:	84.027A						
Project number 08-0450 (2007-2008)		50,055	-	-	36,694	50,055	13,361
Project number 0405 (2006-2007)		37,785	37,785	18,892	18,892	-	-
Project number 08-0460 (2007-2008)		897	-	-	-	897	897
Total Special Education Cluster		88,737	37,785	18,892	55,586	50,952	14,258
Total Clusters		339,389	238,897	50,556	323,145	301,604	29,015
Other Federal Awards:							
U.S. Department of Education							
Direct Programs:							
S.M.A.R.T.S. Mentoring Grant							
Safe and Drug Free-Schools & Communities-Yr.2	84.184B	91,616	52,317	(5,573)	-	5,573	-
Safe and Drug Free-Schools & Communities-Yr.3	84.184B	98,416	-	17,102	17,102	-	-
Safe and Drug Free-Schools & Communities- Yr.1	84.184B	93,372	-	-	53,222	59,465	6,243
Total Direct Programs		283,404	52,317	11,529	70,324	65,038	6,243
Passed through the Kent County ISD							
Safe and Drug Free-Schools & Communities	84.186	3,990	-	-	2,793	2,793	-

Program Title/Project Number Subrecipient Name	Federal CFDA Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditures	Accrued Revenue 7/1/2006	Federal Funds/ Payments In-kind Received	Federal Expenditures	Accrued Revenue at 6/30/2007
U.S. Department of Education (Continued):							
Passed through the Michigan Department of Education:							
Title I, Part A Improving Basic Programs	84.010						
Grant #081530, Project #0708		283,980	-	-	220,635	253,666	33,031
Grant #071530 Project #0607		219,361	189,250	34,112	64,223	30,111	-
		503,341	189,250	34,112	284,858	283,777	33,031
Title V, Part A Innovative	84.298						
Grant #080250, Project #0708		2,261	-	-	2,000	2,134	134
Grant #070250, Project #0607		1,895	1,826	152	181	29	-
		4,156	1,826	152	2,181	2,163	134
Title II, Part D Ed Tech	84.318						
Grant #084290, Project #0708		3,952	-	-	2,098	2,239	141
Grant #074290, Project #0607		2,240	876	154	234	80	-
		6,192	876	154	2,332	2,319	141
Title II, Part A Teacher Training	84.367						
Grant #080520, Project #0708		31,672	-	-	22,694	27,049	4,355
Grant #070520, Project #0607		26,684	19,654	3,252	6,752	3,500	-
		58,356	19,654	3,252	29,446	30,549	4,355
Total Noncluster Programs Passed Through the Michigan Department of Education		572,045	211,606	37,670	318,817	318,808	37,661
Total Federal Awards		\$ 1,198,828	\$ 502,820	\$ 99,755	\$ 715,079	\$ 688,243	\$ 72,919

See notes to financial statements.

William C. Abney Academy
Notes to Schedule of Expenditures of
Federal Awards for the Year Ended June 30, 2008

Note 1 – Significant Accounting Policies Used

The accompanying schedule of expenditures of federal awards includes the federal grant activity of William C. Abney Academy and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. The accounting policies are the same as used in the financial statements located on pages 6 to 11 of this report.

Note 2 – Grant Section Auditor's Report

Management has utilized the Grants Section Auditors Report (Form R-7120) in preparing the Schedule of Expenditures of Federal Awards. Unreconciled differences, if any, have been disclosed to the auditor.

William C. Abney Academy
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2008

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness (es) identified? ☐ Yes ☒ No
- Reportable condition(s) identified that are not considered to be material weakness (es)? ☐ Yes ☒ None reported
- Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards

Internal control over major programs:

- Material weakness (es) identified? ☐ Yes ☒ No
- Reportable condition(s) identified that are not considered to be material weakness (es)? ☐ Yes ☒ None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? ☐ Yes ☒ No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.010	Title I, Part A Improving Basic Programs

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? ☒ Yes ☐ No

William C. Abney Academy
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2008

Prior Audit Findings: NONE